

# Executive Summary Report

**Appraisal Date 1/1/2007 – 2007 Assessment Roll**

**Specialty Name: Business Parks**

**Sales - Improved Summary:**

Number of Sales: 22

Range of Sale Dates: 1/01/2004 – 12/31/2006

**Sales – Ratio Study Summary:**

	<u>Mean Assessed Value</u>	<u>Mean Sale Price</u>	<u>Ratio</u>	<u>COV</u>
2006 Value	\$9,514,800	\$11,130,700	85.50%	14.30%
2007 Value	\$10,556,700	\$11,130,700	94.80%	9.14%
Change	+ \$1,041,900		+9.30%	-5.16%
%Change	+10.95%		+10.88%	36.08%

\*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -5.16% actually represent an improvement.

Sales used in Analysis: All improved sales that are verified as fair market transactions were included in the analysis.

**Population - Parcel Summary Data:**

	<b>Land</b>	<b>Imps</b>	<b>Total</b>
<b>2006 Value</b>	\$410,062,200	\$820,561,530	\$1,230,623,730
<b>2007 Value</b>	\$455,018,400	\$904,247,000	\$1,359,265,400
<b>Percent Change</b>	+10.96%	+10.20%	+10.45%

Number of Parcels in the Population: 271

**Conclusion and Recommendation:**

Since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2007 Assessment Roll.

## Analysis Process

## ***Area Specialty and Responsible Appraiser***

Specialty Area – 520 -Business Parks

The following Appraiser did the valuation for this specialty:

Bonnie Christensen     Senior Appraiser

## ***Highest and Best Use Analysis***

**As if vacant:** Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial/industrial use. Any opinion not consistent with this is specifically noted in our records and considered in the valuation of the specific parcel.

**As if improved:** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000 is assigned to the improvements.

**Standards and Measurement of Data Accuracy:** Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary via field inspection.

## ***Special Assumptions, Departures and Limiting Conditions***

All three approaches to value; market, cost, and income, were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- Sales from 1/1/2004 to 12/31/2006 were considered in all analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

## ***Identification of the Area:***

Name or Designation: Business Parks

Boundaries: The Business Park properties are located throughout King County but are predominantly situated within the Eastside, Kent Valley, and South Seattle market areas.

***Maps:***

A GIS map of the entire area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

***Area Description:***

The Business Park Specialty Properties are defined as being mostly multi-tenant properties and are generally of a low-rise architectural style with twelve to sixteen foot building heights. The frontage or street exposure tends to have the glass curtain wall and entry to the office space. The rears of the buildings have roll up doors and access to the warehouse or light industrial space. They are also defined by their office or retail build-out ratio, which is below the 40% and above the minimal 15% to 20% build-out typical of distribution warehousing and light industrial uses.

The concentration of business parks is in the Kent Valley (Kent, Auburn, & Tukwila) and the Sammamish Valley (Redmond & Woodinville) with a scattering of properties around King County in Bellevue, Renton, Issaquah, Preston, and the south Seattle industrial area. Five neighborhoods have been established for valuation purposes in this specialty.

**Neighborhood 520-10:** Properties in the Totem Lake area of Kirkland and the Willows and Marymoor areas of Redmond make up neighborhood 10. Approximately 31% of the business parks are located in 520-10.

**Neighborhood 520-20:** Properties within the Bellevue (SR-520 & I-90 Corridor), and Redmond (Overlake) neighborhoods are in neighborhood 20. Approximately 18% of the business parks are located in 520-20.

**Neighborhood 520-30:** Properties located in Kent, Auburn, Tukwila, and Federal Way define neighborhood 30. Approximately 33% of the business parks are located in 520-30.

**Neighborhood 520-40:** Properties within the South Seattle Industrial area, which also includes properties located in Sea-Tac and parts of Renton make up neighborhood 40. Approximately 9% of the business parks are located in 520-40.

**Neighborhood 520-50:** Properties in Bothell (North Creek) and Woodinville define neighborhood 50. Approximately 9% of the business parks are located in 520-50.

### ***Physically Inspected Neighborhood***

The physical inspection area for the 2007 revalue consisted of the business park sales, rental comparables, properties in area 40 along the Duwamish Waterway, and properties in area 50 located east of I-522 in Woodinville. This amounted to approximately 20% of the business parks in King County.

### ***Preliminary Ratio Analysis***

A preliminary ratio study was completed just prior to the application of the 2007 recommended values. This study benchmarks the current assessment level using 2006 posted values. The study was also repeated after application of the 2007 recommended values. The results are included in the validation section of this report, showing an improvement in the Coefficient of Variation (COV) from 14.30% to 9.14%.

### ***Scope of Data***

#### ***Land Value Data:***

The geographic appraiser in the area in which the specialty business park property is located is responsible for the land value. See appropriate area reports for land valuation discussion.

#### ***Improved Parcel Total Values:***

#### ***Sales comparison approach model description***

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. Verification consists of contact with buyers, sellers or brokers if possible and collecting information from the CoStar InfoSystems, Inc., a real estate sales verification service. The appraiser in the course of verifying sales gathers information on vacancy and market absorption rates, current and anticipated rents, and the competitive position of the property. Characteristic data is confirmed for all sales if possible. Due to time constraints, interior inspections were limited. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Only those sales verified as arms length market transactions were considered in the process of this revalue.

### ***Sales comparison calibration***

The model for the sales comparison approach primarily considers five data characteristics from the Assessor's records; occupancy codes, age, quality, size, and location. Twenty-two fair market sales occurred in the Business Park Specialty between 01/01/2004 and 12/31/2006. The sales were organized by neighborhood and further stratified by effective age and percentage of office build out. When the sales properties were arrayed by sales price per square foot of rentable area, a value range that increased with the newer and higher percentage office build out properties was noted. Because of the limited number of comparable sales, the sales comparison approach was not relied upon exclusively in the valuation of the business park properties. Information gathered in the sales verification process along with the observed sales price range was reconciled with published data in the development of the income approach model.

### ***Cost approach model description***

Cost estimates are automatically calculated according to the Marshall & Swift Estimator. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost is adjusted to the western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Cost estimates serve as value indicators for new construction projects and are relied upon for special use properties where no income or market data exists.

### ***Cost calibration***

The Marshall & Swift cost modeling system built in to the Real Property Application is calibrated to the region and the Seattle area.

### ***Income capitalization approach model description***

The income capitalization approach was considered for properties using economic rental rates taken from published sources, property owners, tenants, and rental rate opinions from various real estate professionals active in specific markets. Expense ratios were estimated based on industry standards, published sources, and familiarity of each areas rental practices. Capitalization rates were determined by market surveys published for this region. Published resources included reports by Colliers International, Real Estate Analytics, Korpaz, CB Richard Ellis, CoStar, The American Council of Insurance Adjustors, The Urban Land Institute, Price Waterhouse Coopers and Cushman and Wakefield. The effective age, location, and condition of a building may influence the capitalization rate used by the appraiser. For example; a building with a higher effective age, inferior condition, and substandard location may warrant a higher capitalization rate than a building with a lower effective age that is in superior condition and has a more desirable location.

The income approach was considered the most reliable method of valuation for the majority of properties in Area 520 and was facilitated when appropriate. Income tables were developed for each economic neighborhood in specialty area 520 for use in the department's commercial income capitalization applications. The tables are neighborhood and use specific. They are appended towards the end of this report. All rents listed are triple net, which is the industry standard for these types of properties.

### ***Income approach calibration***

The models were calibrated after setting economic base rents, vacancy rates, expenses, and capitalization rates by using adjustments based on size, effective age, and quality of construction as recorded in the Assessor's records. The following table outlines the models specific income parameters. The economic rental rates listed are considered reflective of a NNN type lease. The figures at the lower end of both the rental and capitalization rate ranges typically reflect an investor's performance expectation of an older and/or inferior quality property and the figures at the higher end of each range reflect the investor's expectations of a newer and/or superior quality property. In this model, operating expenses are stabilized at 7.50% and vacancy rates directly correspond to the different neighborhoods in the county.

<b>Property Type</b>	<b>520-10</b>	<b>520-20</b>	<b>520-30</b>	<b>520-40</b>	<b>520-50</b>
Warehouse Office, Open Office, Ind Engineering Bldg, Office Bldg, Display Mezzanine	\$12.00- \$15.00	\$11.40- \$15.60	\$7.20- \$10.00	\$12.00- \$15.60	\$12.00- \$13.80
Retail Store	N/A	\$11.40- \$15.60	\$8.00- \$17.00	\$12.00- \$15.60	N/A
Warehouse Showroom Store	N/A	N/A	\$7.20- \$10.00	\$7.20- \$10.00	N/A
Storage Warehouse, Distribution Warehouse, Industrial Lt Manufacture Bldg, Storage Mezzanine	\$5.40- \$7.80	\$6.00- \$8.40	\$3.60- \$6.80	\$4.20- \$8.20	\$5.40- \$7.80
Mezzanine Office	\$6.00- \$12.00	\$6.00- \$12.00	\$3.60 - \$6.80	\$4.20- \$8.20	\$5.40- \$7.80
<b>Vacancy Rate</b>	7.00 %	5.00 %	10.00 %	6.00 %	9.00 %
<b>Operating Expenses</b>	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %
<b>Capitalization Rates</b>	9.25%- 6.50%	9.00%- 6.50%	9.50%- 6.50%	9.50%- 6.50%	9.25%- 6.50%

## **Model Validation**

### ***Total Value Conclusions, Recommendations and Validation:***

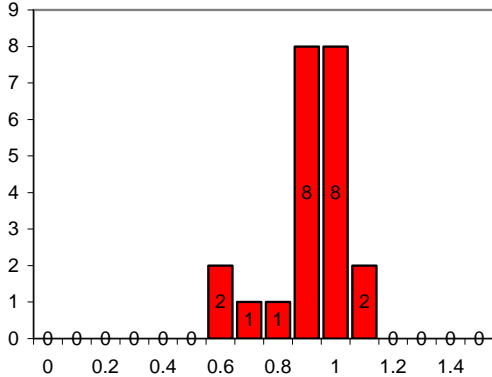
Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

Application of the total value model described above results in improved equity between individual properties as shown by the improvement in the C.O.V. from 14.30% to 9.14%. In addition the resulting assessment level is 94.80 % and falls within IAAO performance guidelines. These figures are presented in the 2006 and 2007 Ratio Analysis charts included in this report.

The total value for the 2006 assessment year for Area 520 was \$1,230,623,730. The total recommended assessed value for the 2007 assessment year is \$1,359,265,400.

Application of these recommended values for the 2007 assessment year results in a total change from the 2006 assessments of +10.45 %.

## 2006 Assessment Year

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
North Crew	1/1/2006	7/31/2007	1/1/04 - 06/30/07
Area	Appr ID:	Prop Type:	Trend used?: Y / N
520	BCHR	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	22	<div>Ratio Frequency</div> 	
Mean Assessed Value	9,514,800		
Mean Sales Price	11,130,700		
Standard Deviation AV	6,781,019		
Standard Deviation SP	8,659,171		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.878	<div>These figures reflect the 2006 assessment level compared to current market sales.</div>	
Median Ratio	0.898		
Weighted Mean Ratio	0.855		
UNIFORMITY			
Lowest ratio	0.5535		
Highest ratio:	1.0229		
Coefficient of Dispersion	8.83%		
Standard Deviation	0.1255		
Coefficient of Variation	14.30%		
Price-related Differential	1.03		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.873		
Upper limit	0.954		
95% Confidence: Mean			
Lower limit	0.826		
Upper limit	0.931		
SAMPLE SIZE EVALUATION			
N (population size)	271		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1255		
Recommended minimum:	23		
Actual sample size:	22		
Conclusion:	ok		
NORMALITY			
Binomial Test			
# ratios below mean:	6		
# ratios above mean:	16		
z:	1.918806447		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			



## 2007 Assessment Year

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:																
North Crew	1/1/2007	7/31/2007	1/1/04 - 06/30/07																
Area	Appr ID:	Prop Type:	Trend used?: Y / N																
520	BCHR	Improvement	N																
SAMPLE STATISTICS																			
Sample size (n)	22	<div>Ratio Frequency</div> <table><thead><tr><th>Ratio</th><th>Frequency</th></tr></thead><tbody><tr><td>0.8-0.9</td><td>1</td></tr><tr><td>0.9-1.0</td><td>3</td></tr><tr><td>1.0-1.1</td><td>11</td></tr><tr><td>1.1-1.2</td><td>6</td></tr><tr><td>1.2-1.3</td><td>1</td></tr><tr><td>1.3-1.4</td><td>0</td></tr><tr><td>1.4-1.5</td><td>0</td></tr></tbody></table>		Ratio	Frequency	0.8-0.9	1	0.9-1.0	3	1.0-1.1	11	1.1-1.2	6	1.2-1.3	1	1.3-1.4	0	1.4-1.5	0
Ratio	Frequency																		
0.8-0.9	1																		
0.9-1.0	3																		
1.0-1.1	11																		
1.1-1.2	6																		
1.2-1.3	1																		
1.3-1.4	0																		
1.4-1.5	0																		
Mean Assessed Value	10,556,700																		
Mean Sales Price	11,130,700																		
Standard Deviation AV	7,626,952																		
Standard Deviation SP	8,659,171																		
ASSESSMENT LEVEL																			
Arithmetic mean ratio	0.966																		
Median Ratio	0.980																		
Weighted Mean Ratio	0.948																		
UNIFORMITY																			
Lowest ratio	0.7318																		
Highest ratio:	1.1029																		
Coefficient of Dispersion	6.66%																		
Standard Deviation	0.0883																		
Coefficient of Variation	9.14%																		
Price-related Differential	1.02																		
RELIABILITY																			
95% Confidence: Median		<div>These figures reflect the 2007 assessment level compared to current market sales.</div>																	
Lower limit	0.937																		
Upper limit	1.027																		
95% Confidence: Mean																			
Lower limit	0.929																		
Upper limit	1.003																		
SAMPLE SIZE EVALUATION																			
N (population size)	271																		
B (acceptable error - in decimal)	0.05																		
S (estimated from this sample)	0.0883																		
Recommended minimum:	12																		
Actual sample size:	22																		
Conclusion:	OK																		
NORMALITY																			
Binomial Test																			
# ratios below mean:	10																		
# ratios above mean:	12																		
z:	0.213200716																		
Conclusion:	Normal*																		
*i.e., no evidence of non-normality																			

***Improvement Sales for Area 520 with Sales Used***

<b>Area</b>	<b>Nbhd</b>	<b>Major</b>	<b>Minor</b>	<b>Total NRA</b>	<b>E #</b>	<b>Sale Price</b>	<b>Sale Date</b>	<b>SP / NRA</b>	<b>Property Name</b>	<b>Zone</b>	<b>Par. Ct.</b>	<b>Ver. Code</b>	<b>Remarks</b>
520	010	282605	9057	48,740	2051961	\$5,850,000	06/21/04	\$120.02	NORTH PARK BUSINESS CTR	BC	1	Y	
520	010	630750	0020	31,782	2253557	\$3,200,000	12/01/06	\$100.69	OAK RIDGE PARK BLDG #2	MP	1	Y	
520	010	943050	0110	55,975	2137929	\$5,800,000	07/07/05	\$103.62	WILLOWS EAST	MP	1	Y	
520	010	943100	0010	27,844	2158568	\$3,960,000	09/28/05	\$142.22	WILLOWS NORTHWEST #1	MP	2	Y	
520	020	272505	9029	32,234	2077780	\$3,500,000	10/14/04	\$108.58	NORTH CREEK PARK	GC	1	Y	
520	020	282505	9001	51,000	2220609	\$9,100,000	07/07/06	\$178.43	NORTHUP DISTRIBUTION CENTER	LI	2	Y	
520	020	282505	9159	23,316	2102523	\$2,500,000	02/14/05	\$107.22	STUSSER ELECTRIC	LI	1	Y	
520	030	030150	0010	147,849	2092475	\$12,900,000	12/21/04	\$87.25	OPUS PARK 167 BUILDING NO. 1	BP	2	Y	
520	030	158060	0028	133,165	2139052	\$11,650,000	07/09/05	\$87.49	West Park Corp Park "Bldg A"	M1	2	Y	
520	030	158060	0040	140,090	2147011	\$12,400,000	08/11/05	\$88.51	WestPark Corp Park Bldg D	M1	3	Y	
520	030	261100	0040	93,022	2021565	\$8,756,614	03/01/04	\$94.13	KENT CENTER - 3 BLDGS	M2	1	Y	
520	030	346280	0238	16,440	2171654	\$2,400,000	11/22/05	\$145.99	BUSINESS PARK	CM-2	1	Y	
520	030	630850	0010	320,366	2197052	\$36,400,000	03/28/06	\$113.62	OAKESDALE COMMERCE CENTER -W1	IL	7	Y	
520	030	788880	0010	227,070	2105185	\$14,888,000	02/25/05	\$65.57	West Valley Business Park	M2	1	Y	
520	030	926480	0080	78,151	2199248	\$6,850,000	04/04/06	\$87.65	Campus Park	BP	2	Y	
520	040	172280	0350	17,328	2251657	\$2,500,000	11/13/06	\$144.28	BLDG W	IG2 U/8	1	Y	
520	040	273810	0610	202,179	2113924	\$17,220,000	04/05/05	\$85.17	GEORGETOWN CENTER	IG2 U/8	2	Y	
520	040	273810	0620	140,279	2197548	\$18,800,000	04/04/06	\$134.02	GEORGETOWN CENTER	IG2 U/8	2	Y	
520	050	152605	9005	134,043	2183371	\$12,000,000	01/24/06	\$89.52	K & K BUSINESS PARK	I	1	Y	
520	050	152605	9057	89,147	2127772	\$7,000,000	05/25/05	\$78.52	MACKIE DESIGNS, INC.	I	1	Y	
520	050	664110	0010	237,281	2174275	\$25,850,000	12/07/05	\$108.94	THE PARK AT WOODINVILLE BLDG A	I	5	Y	
520	050	697920	0080	151,905	2175963	\$21,350,000	12/09/05	\$140.55	BOTHELL 405 BUSINESS PARK	MU	2	Y	